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179468

May 12, 2006

Charlie L. A. Terreni
Chief Clerk
South Carolina Public Service Commission
101 Executive Center Drive
Columbia, SC 29210

Re: ORS Comments to the Public Service Commission's Proposed Changes to Articles 5 and 7
of the Commission's Regulations
Docket No. 2006-9-WS

Dear Mr. Terreni,

In accordance with Chairman Mitchell's statement at the conclusion of the hearing in the above referenced docket on April 27, 2006, the Office of Regulatory Staff hereby submits the following for inclusion in the record in this matter.

There was substantial discussion at the hearing in this case regarding the ORS recommendation for an addition to Regulations 103-541 and 103-743 to provide that water and wastewater utilities be required to make notification to the Commission and ORS of loan agreements made by the utilities in which the assets of the utility are pledged as collateral. Below, you will find a list of the regulations in their current edition, the change recommended by the ORS at the hearing on April 27, and the modified recommendation of the Office of Regulatory Staff.

1. Current Edition:

103-541

"No utility shall execute or enter into any agreement or contract with any person, firm, partnership, or corporation or any agency of the Federal, State, or local government which would impact, pertain to, or effect said utility's fitness, willingness, or ability to provide sewer service, including but not limited to the collection or treatment of said wastewater, without first submitting said contract in form to the Commission and the ORS and obtaining approval of the Commission."

103-743

"No utility shall execute or enter into any agreement or contract with any person, firm, partnership, or corporation or any agency of the Federal, State, or local government which would impact, pertain to, or effect said utility's fitness, willingness, or ability to provide water service, including but not limited to the treatment of said water, without first submitting said contract in form to the Commission and the ORS and obtaining approval of the Commission."

2. The Office of Regulatory Staff last recommended the following language at the Commission hearing in this matter on April 27, 2006:

Addition of Paragraph (B) to read: **“(B) A water/wastewater utility shall notify the Commission and the ORS of any loan agreement payable for a period exceeding one year within one month of entering such agreement in which the assets of the utility are being pledged as collateral for the loan. This rule shall not apply to any loan agreement payable within one year from the date of the agreement or to any loan agreement in which the equipment itself is being pledged as collateral for purchase of said equipment, except in case of subsequent agreements made to refund such short-term obligations. Short term obligations may be renewed by similar obligations without notice to the Commission and ORS for an aggregate period not exceeding two years.”**

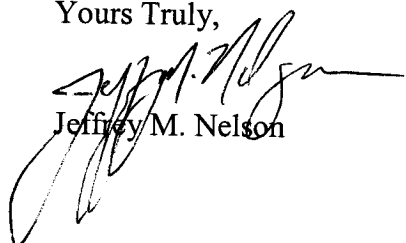
3. Based on the arguments of the parties and comments of the Commissioners at the hearing on April 27, 2006, the ORS now recommends that Regulations 103-541 and 103-743 be amended as follows:

Retain the currently drafted portions of the Regulations and designate that paragraph as (A) and add the following as a Paragraph (B) to the Regulations to read: **“(B) A water or wastewater utility shall notify the Commission and ORS of any loan agreement in which the utility’s plant(s), facilities, or real property upon which such plant(s) or facilities are located are being pledged as collateral for such loan.”**

The ORS believes that the simplified and specific change recommended herein eliminates any confusion as to what must be reported and imposes an extremely insignificant obligation on the regulated utilities.

Once again, the ORS appreciates the opportunity to have been involved in this process.

Yours Truly,



Jeffrey M. Nelson